



**İş Faktoring  
Anonim Şirketi**  
(Previously “İş Faktoring Finansman  
Hizmetleri Anonim Şirketi”)  
Financial Statements  
As at and for the Year Ended  
31 December 2013  
With Independent Auditors’ Report

*(Convenience Translation of Financial Statements and Related  
Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)*

Akis Bağımsız Denetim ve Serbest Muhasebeci  
Mali Müşavirlik Anonim Şirketi

10 March 2014

This report contains the “Independent Auditors’ Report”  
comprising 2 pages and the “Financial Statements and  
Notes to the Financial Statements” comprising 52 pages.

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**Convenience Translation of the Auditors' Report  
Originally Prepared and Issued in Turkish (See Note 2.1)**

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
İş Faktoring Anonim Şirketi,

*Introduction*

We have audited the accompanying financial statements of İş Faktoring Anonim Şirketi (previously "İş Faktoring Finansman Hizmetleri Anonim Şirketi") ("the Company"), which comprise the statement of financial position as at 31 December 2013, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Disclosure for the Responsibility of the Company's Board of Directors*

The Board of Directors of the Company is responsible for the establishment of an internal control system, selection and application of appropriate accounting policies for the preparation and fair presentation of the financial statements in accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") in respect of accounting and financial reporting, free from material misstatement, whether due to fraud or error that could lead to false information within.

*Disclosure for the Responsibility of the Authorized Audit Firm*

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks" published on the Official Gazette dated 1 November 2006 and numbered 26333 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion expressed below.



*Independent Auditors' Opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İş Factoring Anonim Şirketi as at 31 December 2013 and the results of its operations and cash flows for the year then ended in accordance with the communiqués, regulations and circulars issued by the BRSA regarding accounting and financial reporting (see *Note 2*).

İstanbul,  
10 March 2014

Akis Bağımsız Denetim ve  
Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Orhan Akova  
*Partner*

*Additional paragraph for convenience translation to English*

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	BALANCE SHEET - ASSETS	Notes	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>CASH AND CASH EQUIVALENTS AND CENTRAL BANK</b>		-	-	-	-	-	-
<b>II.</b>	<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)</b>	<b>4</b>	-	-	-	<b>14</b>	<b>21</b>	<b>35</b>
2.1	Financial Assets Held for Trading		-	-	-	14	-	14
2.2	Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		-	-	-	-	21	21
<b>III.</b>	<b>BANKS</b>	<b>5</b>	<b>10.052</b>	<b>401</b>	<b>10.453</b>	<b>393</b>	<b>10.443</b>	<b>10.836</b>
<b>IV.</b>	<b>RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS</b>		-	-	-	-	-	-
<b>V.</b>	<b>FINANCIAL ASSETS AVAILABLE FOR SALE (Net)</b>	<b>6</b>	<b>12.542</b>	-	<b>12.542</b>	<b>13.612</b>	-	<b>13.612</b>
<b>VI.</b>	<b>FACTORING RECEIVABLES</b>	<b>7</b>	<b>793.569</b>	<b>150.080</b>	<b>943.649</b>	<b>987.008</b>	<b>27.936</b>	<b>1.014.944</b>
6.1	Discounted Factoring Receivables		302.158	-	302.158	274.184	-	274.184
6.1.1	Domestic		309.398	-	309.398	278.954	-	278.954
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(7.240)	-	(7.240)	(4.770)	-	(4.770)
6.2	Other Factoring Receivables		491.411	150.080	641.491	712.824	27.936	740.760
6.2.1	Domestic		491.411	-	491.411	712.824	-	712.824
6.2.2	Foreign		-	150.080	150.080	-	27.936	27.936
<b>VII.</b>	<b>FINANCING LOANS</b>		-	-	-	-	-	-
7.1	Private Customer Loans		-	-	-	-	-	-
7.2	Credit Cards		-	-	-	-	-	-
7.3	Installment Based Commercial Loans		-	-	-	-	-	-
<b>VIII.</b>	<b>LEASE RECEIVABLES</b>		-	-	-	-	-	-
8.1	Lease Receivables		-	-	-	-	-	-
8.1.1	Finance Lease Receivables		-	-	-	-	-	-
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		-	-	-	-	-	-
8.2	Leasing Contracts in Progress		-	-	-	-	-	-
8.3	Advances Given for Lease Transactions		-	-	-	-	-	-
<b>IX.</b>	<b>OTHER RECEIVABLES</b>		-	-	-	-	-	-
<b>X.</b>	<b>RECEIVABLES UNDER FOLLOW-UP</b>		<b>2.381</b>	-	<b>2.381</b>	-	-	-
10.1	Factoring Receivables Under Follow-up	<b>7</b>	16.945	-	16.945	10.902	-	10.902
10.2	Financial Loans Under Follow-Up		-	-	-	-	-	-
10.3	Lease Receivables Under Follow-Up		-	-	-	-	-	-
10.4	Specific Provisions (-)		(14.564)	-	(14.564)	(10.902)	-	(10.902)
<b>XI.</b>	<b>DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE</b>		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
<b>XII.</b>	<b>INVESTMENTS HELD TO MATURITY (Net)</b>		-	-	-	-	-	-
<b>XIII.</b>	<b>INVESTMENT IN SUBSIDIARIES (Net)</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>INVESTMENT IN ASSOCIATES (Net)</b>		-	-	-	-	-	-
<b>XV.</b>	<b>INVESTMENT IN JOINT VENTURES (Net)</b>		-	-	-	-	-	-
<b>XVI.</b>	<b>TANGIBLE ASSETS (Net)</b>	<b>9</b>	<b>378</b>	-	<b>378</b>	<b>403</b>	-	<b>403</b>
<b>XVII.</b>	<b>INTANGIBLE ASSETS (Net)</b>	<b>10</b>	<b>270</b>	-	<b>270</b>	<b>227</b>	-	<b>227</b>
17.1	Goodwill		-	-	-	-	-	-
17.2	Other Intangibles		270	-	270	227	-	227
<b>XVIII.</b>	<b>PREPAID EXPENSES</b>	<b>12</b>	<b>316</b>	-	<b>316</b>	<b>158</b>	-	<b>158</b>
<b>IXX.</b>	<b>CURRENT TAX ASSETS</b>		-	-	-	-	-	-
<b>XX.</b>	<b>DEFERRED TAX ASSETS</b>	<b>11</b>	<b>1.528</b>	-	<b>1.528</b>	<b>1.042</b>	-	<b>1.042</b>
<b>XXI.</b>	<b>OTHER ASSETS</b>		-	-	-	<b>3</b>	-	<b>3</b>
	<b>SUBTOTAL</b>		<b>821.036</b>	<b>150.481</b>	<b>971.517</b>	<b>1.002.860</b>	<b>38.400</b>	<b>1.041.260</b>
<b>XXII.</b>	<b>ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)</b>		-	-	-	-	-	-
22.1	Assets Held For Sale		-	-	-	-	-	-
22.2	Assets Of Discontinued Operations		-	-	-	-	-	-
	<b>TOTAL ASSETS</b>		<b>821.036</b>	<b>150.481</b>	<b>971.517</b>	<b>1.002.860</b>	<b>38.400</b>	<b>1.041.260</b>

The accompanying notes are an integral part of these financial statements.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	BALANCE SHEET - ASSETS	Notes	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>4</b>	-	-	-	-	7	7
<b>II.</b>	<b>FUNDS BORROWED</b>	<b>13</b>	684.981	213.864	898.845	893.948	84.843	978.791
<b>III.</b>	<b>FACTORING PAYABLES</b>	<b>7</b>	28	502	530	54	73	127
<b>IV.</b>	<b>LEASE OBLIGATIONS</b>		-	-	-	-	-	-
4.1	Financial Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Others		-	-	-	-	-	-
4.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
<b>V.</b>	<b>DEBT SECURITIES ISSUED (Net)</b>		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
<b>VI.</b>	<b>OTHER PAYABLES</b>	<b>14</b>	350	38	388	299	40	339
<b>VII.</b>	<b>OTHER LIABILITIES</b>		-	-	-	-	-	-
<b>VIII.</b>	<b>DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT</b>		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
<b>IX.</b>	<b>TAXES AND DUTIES PAYABLE</b>	<b>15</b>	583	-	583	516	-	516
<b>X.</b>	<b>PROVISIONS</b>		500	-	500	545	-	545
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve For Employee Benefits	<b>16</b>	500	-	500	545	-	545
10.3	Other Provisions		-	-	-	-	-	-
<b>XI.</b>	<b>DEFERRED INCOME</b>		-	-	-	-	-	-
<b>XII.</b>	<b>CURRENT TAX LIABILITIES</b>	<b>17</b>	1.395	-	1.395	1.211	-	1.211
<b>XIII.</b>	<b>DEFERRED TAX LIABILITY</b>		-	-	-	-	-	-
<b>XIV.</b>	<b>SUBORDINATED LOANS</b>		-	-	-	-	-	-
	<b>SUBTOTAL</b>		<b>687.837</b>	<b>214.404</b>	<b>902.241</b>	<b>896.573</b>	<b>84.963</b>	<b>981.536</b>
<b>XV.</b>	<b>PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS</b>		-	-	-	-	-	-
15.1	Payables Related to the Assets held for Sale		-	-	-	-	-	-
15.2	Payables Related to the Discontinued Operations		-	-	-	-	-	-
<b>XVI.</b>	<b>SHAREHOLDERS' EQUITY</b>		<b>69.276</b>	-	<b>69.276</b>	<b>59.724</b>	-	<b>59.724</b>
16.1	Paid-in Capital	<b>18</b>	40.000	-	40.000	16.000	-	16.000
16.2	Capital Reserves	<b>18</b>	5.277	-	5.277	5.277	-	5.277
16.2.1	Share Premiums		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		5.277	-	5.277	5.277	-	5.277
16.3	Accumulated Other Comprehensive Income that will never be Reclassified to Profit or Loss		62	-	62	-	-	-
16.4	Accumulated Other Comprehensive Income that are or may be Reclassified to Profit or Loss		2.385	-	2.385	4.654	-	4.654
16.5	Profit Reserves	<b>19</b>	9.239	-	9.239	28.664	-	28.664
16.5.1	Legal Reserves		1.940	-	1.940	1.711	-	1.711
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		7.299	-	7.299	26.953	-	26.953
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		12.313	-	12.313	5.129	-	5.129
16.6.1	Prior Periods Profit/Loss		554	-	554	554	-	554
16.6.2	Net Income or Loss for the Current Period		11.759	-	11.759	4.575	-	4.575
	<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>757.113</b>	<b>214.404</b>	<b>971.517</b>	<b>956.297</b>	<b>84.963</b>	<b>1.041.260</b>

The accompanying notes are an integral part of these financial statements.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

## OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2013			Audited Prior Period 31 December 2012		
			TRY	FC	TOTAL	TRY	FC	TOTAL
<b>I.</b>	<b>REVOCABLE FACTORING TRANSACTIONS</b>		59.639	12.809	72.448	69.042	18.083	87.125
<b>II.</b>	<b>IRREVOCABLE FACTORING TRANSACTIONS</b>		86.869	15.313	102.182	40.259	12.680	52.939
<b>III.</b>	<b>COLLATERALS RECEIVED</b>	20	14.345	1.777	16.122	26.555	470	27.025
<b>IV.</b>	<b>COLLATERALS GIVEN</b>	20	2.020	-	2.020	1.505	-	1.505
<b>V.</b>	<b>COMMITMENTS</b>		-	-	-	500	-	500
5.1	Irrevocable Commitments		-	-	-	500	-	500
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
<b>VI.</b>	<b>DERIVATIVE FINANCIAL INSTRUMENTS</b>	20	-	-	-	1.960	1.929	3.889
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Trading Derivatives		-	-	-	-	-	-
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	1.960	1.929	3.889
6.2.2	Swap Purchases/Sales		-	-	-	-	-	-
6.2.3	Put/Call Options		-	-	-	-	-	-
6.2.4	Futures Purchases/Sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
<b>VII.</b>	<b>ITEMS HELD IN CUSTODY</b>		1.204.449	292.054	1.496.503	516.647	74.458	591.105
	<b>TOTAL OFF-BALANCE SHEET ITEMS</b>		<b>1.367.322</b>	<b>321.953</b>	<b>1.689.275</b>	<b>656.468</b>	<b>107.620</b>	<b>764.088</b>

The accompanying notes are an integral part of these financial statements.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

INCOME STATEMENT		Dipnot	Audited Current Period 1 January- 31 December 2013	Audited Prior Period 1 January- 31 December 2012
<b>I.</b>	<b>OPERATING INCOME</b>	<b>23</b>	<b>59.006</b>	<b>51.984</b>
1.1	<b>FACTORING INCOME</b>		59.006	51.984
1.1.1	Factoring Interest Income		53.660	49.108
1.1.1.1	Discounted		18.863	20.114
1.1.1.2	Other		34.797	28.994
1.1.2	Factoring Commission Income		5.346	2.876
1.1.2.1	Discounted		1.849	1.193
1.1.2.2	Other		3.497	1.683
1.3	<b>INCOME ON FINANCING LOANS</b>		-	-
1.3	Interest Income on Financial Loans		-	-
1.4	Fees and Commission Income on Financial Loans		-	-
1.5	<b>LEASE INCOME</b>		-	-
1.5	Finance Lease Income		-	-
1.6	Operational Lease Income		-	-
1.7	Fees and Commission Income on Lease Operations		-	-
<b>II.</b>	<b>FINANCING EXPENSES</b>	<b>24</b>	<b>(35.262)</b>	<b>(32.368)</b>
2.1	Interest Expense on Funds Borrowed		(34.536)	(31.766)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense on Financial Leases		-	-
2.4	Interest Expense on Debt Securities Issued		-	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commission Expenses		(726)	(602)
<b>III.</b>	<b>GROSS PROFIT / LOSS (I+II)</b>		<b>23.744</b>	<b>19.616</b>
<b>IV.</b>	<b>OPERATING EXPENSES (-)</b>	<b>25</b>	<b>(8.759)</b>	<b>(6.332)</b>
4.1	Personnel Expenses		(5.595)	(3.706)
4.2	Provision Expense for Employee Termination Indemnity		-	(96)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(3.164)	(2.530)
4.5	Other		-	-
<b>V.</b>	<b>GROSS OPERATING PROFIT / LOSS (III+IV)</b>		<b>14.985</b>	<b>13.284</b>
<b>VI.</b>	<b>OTHER OPERATING INCOME</b>	<b>26</b>	<b>69.750</b>	<b>29.868</b>
6.1	Interest Income on Banks		350	348
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities		15	50
6.3.1	Interest Income on Trading Financial Assets		15	50
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available-for-Sale		-	-
6.3.4	Interest Income on Investments Held to Maturity		-	-
6.4	Dividend Income		1.490	1.272
6.5	Trading Account Income		57	21
6.5.1	Derivatives		57	21
6.5.2	Others		-	-
6.6	Foreign Exchange Gains		66.063	27.354
6.7	Other		1.775	823
<b>VII.</b>	<b>SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)</b>	<b>27</b>	<b>(4.006)</b>	<b>(8.602)</b>
<b>VIII.</b>	<b>OTHER OPERATING EXPENSES (-)</b>	<b>28</b>	<b>(65.551)</b>	<b>(27.302)</b>
8.1	Impairment in Value of Securities		-	-
8.1.1	Impairment in Value of Financial Assets Designated at Fair Value Through Profit or Loss		-	-
8.1.2	Impairment in Value of Financial Assets Available-for-Sale		-	-
8.1.3	Impairment in Value of Investments Held to Maturity		-	-
8.2	Impairment in Value of Non Current Assets		-	-
8.2.1	Impairment in Value of Tangible Assets		-	-
8.2.2	Impairment in Value of Assets Held for Sale and Assets Related to Discontinued Operations		-	-
8.2.3	Impairment in Value of Goodwill		-	-
8.2.4	Impairment in Value of Other Intangible Assets		-	-
8.2.5	Impairment in Value of Subsidiaries, Associates and Joint-Ventures		-	-
8.3	Trading Account Losses from Financial Derivatives		(39)	(7)
8.4	Foreign Exchange Losses		(65.512)	(27.288)
8.5	Other		-	(7)
<b>IX.</b>	<b>OPERATIONAL PROFIT/LOSS, NET (V+...+VIII)</b>		<b>15.178</b>	<b>7.248</b>
<b>X.</b>	<b>INCOME RESULTED FROM MERGERS</b>		-	-
<b>XI.</b>	<b>GAIN/LOSS ON NET MONETARY POSITION</b>		-	-
<b>XII.</b>	<b>PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES(IX+X+XI)</b>		<b>15.178</b>	<b>7.248</b>
<b>XIII.</b>	<b>PROVISION FOR TAXES FROM CONTINUING OPERATIONS (-)</b>	<b>29</b>	<b>(3.419)</b>	<b>(2.673)</b>
13.1	Current Tax Charge		(3.920)	(3.633)
13.2	Deferred Tax Charge (-)		-	-
13.3	Deferred Tax Credit (+)		501	960
<b>XIV.</b>	<b>NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS(XII-XIII)</b>		<b>11.759</b>	<b>4.575</b>
<b>XV.</b>	<b>INCOME FROM DISCONTINUED OPERATIONS</b>		-	-
15.1	Income from Assets Held for Sale		-	-
15.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
15.3	Other Income From Discontinued Operations		-	-
<b>XVI.</b>	<b>EXPENSES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
16.1	Expense From Assets Held for Sale		-	-
16.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
16.3	Other expense from Discontinued Operations		-	-
<b>XVII.</b>	<b>PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS</b>		-	-
<b>XVIII.</b>	<b>PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (-)</b>		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Credit (+)		-	-
<b>XIX.</b>	<b>NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS</b>		-	-
<b>XX.</b>	<b>NET PROFIT/LOSS</b>		<b>11.759</b>	<b>4.575</b>
	<b>EARNINGS PER SHARE</b>		<b>0.002940</b>	<b>0.001144</b>
	Earnings Per Share from Continuing Operations		0.002940	0.001144
	Earnings Per Share from Discontinued Operations		-	-
	<b>DILUTED EARNINGS PER SHARE</b>		<b>0.002940</b>	<b>0.001144</b>
	Earnings Per Share from Continuing Operations		0.002940	0.001144
	Earnings Per Share from Discontinued Operations		-	-

The accompanying notes are an integral part of these financial statements.



# İŞ FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF PROFIT AND LOSS OR OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME	Audited	Audited
	Current Period	Prior Period
	01.01-31.12.2013	01.01-31.12.2012
<b>I. NET PROFIT/LOSS</b>	<b>11.759</b>	<b>4.575</b>
<b>II. OTHER COMPREHENSIVE INCOME</b>	<b>(2.207)</b>	<b>2.176</b>
<b>2.1 Items that will never be Reclassified to Profit or Loss</b>	<b>62</b>	<b>-</b>
2.1.1 Revaluation of Tangible Assets	-	-
2.1.2 Revaluation of Intangible Assets	-	-
2.1.3 Remeasurement of Reserve for Employee Benefits	78	-
2.1.4 Other Comprehensive Income that will never Reclassified to Profit or Loss	-	-
2.1.5 Related Tax	-	-
2.1.5.1 Current Tax Benefit/Charge	-	-
2.1.5.2 Deferred Tax Benefit/Charge (-)	(16)	-
<b>2.2 Items that are or may be Reclassified to Profit or Loss</b>	<b>(2.269)</b>	<b>2.176</b>
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Assets Held for Sales- Net Change in Fair Value	(2.269)	2.176
2.2.3 Cash Flow Hedges- Effective Portion of Changes in Fair Value	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-
2.2.5 Other Comprehensive Income that are or may be Reclassified to Profit or Loss	-	-
2.2.6 Related Tax	-	-
2.2.6.1 Current Tax Benefit/Charge	-	-
2.2.6.2 Deferred Tax Benefit/Charge (-)	-	-
<b>III. TOTAL COMPREHENSIVE INCOME (I+II)</b>	<b>9.552</b>	<b>6.751</b>

The accompanying notes are an integral part of these financial statements.

**İŞ FAKTORİNG ANONİM ŞİRKETİ**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013**

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

CHANGES IN EQUITY	Paid-in-Capital	Sermaye Yedekleri	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Accumulated other comprehensive income that will never be reclassified to profit or loss						Accumulated other comprehensive income that are or may be reclassified to profit or loss						Current Period Profit/ Loss	Prior Period Profit/ Loss	Net Current Period Profit/ Loss	Total Equity
						1	2	3	4	5	6	Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves					
<b>Prior period (01.01 – 31.12.2012)</b> (Audited)																					
<b>I. Beginning balance (31.12.2012)</b>	16.000	-	-	-	5.277	-	-	-	-	2.478	-	-	1.299	-	19.683	-	8.236	-	-	52.973	
<b>II. Correction Made According to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Adjusted Beginning Balance (I+II)</b>	16.000	-	-	-	5.277	-	-	-	-	2.478	-	-	1.299	-	19.683	-	8.236	-	-	52.973	
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	-	-	-	-	2.176	-	-	-	-	-	-	-	-	-	2.176	
<b>V. Cash Capital Increase</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase from Internal Reserves</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VII. Capital Reserves From Inflation Adjustments To Paid-In Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Loans</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increases / Decreases due to Other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Profit for the Period</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.575	-	4.575	4.575	
<b>XII. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	412	-	7.270	-	(8.236)	554	554	-	
12.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance at the End of the Period (31.12.2012)</b>	16.000	-	-	-	5.277	-	-	-	-	4.654	-	-	1.711	-	26.953	-	4.575	554	5.129	59.724	
<b>Prior period (01.01 – 31.12.2012)</b> (Audited)																					
<b>I. Beginning balance (31.12.2012)</b>	16.000	-	-	-	5.277	-	-	-	-	4.654	-	-	1.711	-	26.953	-	4.575	554	5.129	59.724	
<b>II. Correction Made According to TAS 8</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Corrections	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>III. Adjusted Beginning Balance (I+II)</b>	16.000	-	-	-	5.277	-	-	-	-	4.654	-	-	1.711	-	26.953	-	4.575	554	5.129	59.724	
<b>IV. Total Comprehensive Income</b>	-	-	-	-	-	-	62	-	-	(2.269)	-	-	-	-	-	-	-	-	-	(2.207)	
<b>V. Cash Capital Increase</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VI. Capital Increase from Internal Reserves</b>	24.000	-	-	-	-	-	-	-	-	-	-	-	-	-	(24.000)	-	-	-	-	-	
<b>VII. Capital Reserves From Inflation Adjustments To Paid-In Capital</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>VIII. Convertible Bonds</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>IX. Subordinated Loans</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>X. Increases / Decreases due to Other Changes</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>XI. Profit for the Period</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11.759	-	11.759	11.759	
<b>XII. Profit Distribution</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.1 Dividend Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
12.2 Transfer to Reserves	-	-	-	-	-	-	-	-	-	-	-	-	229	-	4.346	-	(4.575)	-	(4.575)	-	
12.3 Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
<b>Balance at the End of the Period (31.12.2013)</b>	40.000	-	-	-	5.277	-	62	-	-	2.385	-	-	1.940	-	7.299	-	11.759	554	12.313	69.276	

- 1, Revaluation increase/decrease of property and equipment,
- 2, Employee benefits re-measuring income/loss,
- 3, Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
- 4, Foreign currency translation differences for foreign operations,
- 5, Net change in fair value of available-for-sale financial assets,
- 6, Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

The accompanying notes are an integral part of these financial statements.

# İŞ FAKTORİNG ANONİM ŞİRKETİ

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

		Audited Current Period	Audited Prior Period
	Dipnot	31 December 2013	31 December 2012
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		19.291	3.467
1.1.1 Interests received/Lease income		52.972	47.912
1.1.2 Interests paid/Lease Payments		(30.346)	(31.541)
1.1.3 Lease Expenses		-	-
1.1.4 Dividends Received		792	488
1.1.5 Fee and Commissions Received		5.346	2.876
1.1.6 Other Income		-	21
1.1.7 Collections From Previously Written-Off Receivables	7	344	303
1.1.8 Payments to Personnel and Service Suppliers		(5.420)	(3.663)
1.1.9 Taxes Paid	17	(3.736)	(2.971)
1.1.10 Others		(661)	(9.958)
1.2 Changes in Operating Assets and Liabilities		(19.534)	(7.809)
1.2.1 Net (Increase) Decrease in Factoring Receivables		65.596	(608.672)
1.2.2 Net (Increase) Decrease in Other Assets		(70)	1.561
1.2.3 Net (Increase) Decrease in Factoring Payables		403	106
1.2.3 Net Increase (Decrease) in Lease Payables		-	-
1.2.4 Net Increase (Decrease) in Funds Borrowed		(84.136)	599.033
1.2.5 Net Increase (Decrease) in Matured Payables		-	-
1.2.6 Net Increase (Decrease) in Other Liabilities		(1.327)	163
<b>I. Net Cash From Operating activities</b>		<b>(243)</b>	<b>(4.342)</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures		-	31
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	9, 10	(211)	(119)
2.4 Sales of Tangible and Intangible Assets		-	-
2.5 Cash Paid for Purchase of Financial Assets Available-for-Sale		-	-
2.6 Cash Obtained From Sale of Financial Assets Available-for-Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Cash obtained from Sale of Held-to-Maturity Investment Securities		-	-
2.9 Others		-	-
<b>II. Net Cash Used in Investing Activities</b>		<b>(211)</b>	<b>(88)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
3.1 Cash Obtained from Funds Borrowed and Debt Securities Issued		-	-
3.2 Cash Used for Repayment of Funds Borrowed and Debt Securities Issued		-	-
3.3 Equity Instruments Issued		-	-
3.4 Dividends Paid		-	-
3.5 Payments for Finance Leases		-	-
3.6 Others		-	-
<b>III. Net Cash Generated from in Financing Activities</b>		<b>-</b>	<b>-</b>
<b>IV. Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents</b>		<b>71</b>	<b>(8)</b>
<b>V. Net Increase in Cash and Cash Equivalents</b>		<b>(383)</b>	<b>(4.438)</b>
<b>VI. Cash and Cash Equivalents at the Beginning of the Year</b>	<b>5</b>	<b>10.836</b>	<b>15.274</b>
<b>VII. Cash and Cash Equivalents at the End of the Year</b>	<b>5</b>	<b>10.453</b>	<b>10.836</b>

The accompanying notes are an integral part of these financial statements.

# İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

## STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira ("TRY") unless otherwise stated.)

	Current Year (31/12/2013)	Prior Year (31/12/2012)
<b>I. DISTRIBUTION OF CURRENT YEAR PROFIT</b>		
1.1 PROFIT FOR THE YEAR	15.178	7.248
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(3.419)	(2.673)
1.2.1 Corporate Tax (Income Tax)	(3.920)	(3.633)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties	501	960
<b>A. NET PROFIT FOR THE YEAR (1.1-1.2)</b>	<b>11.759</b>	<b>4.575</b>
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	(229)
1.5 OTHER STATUTORY RESERVES (-)	-	-
<b>B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A)-(1.3+1.4+1.5)]</b>	<b>-</b>	<b>4.346</b>
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	4.346
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
<b>II. DISTRIBUTION FROM RESERVES</b>	<b>-</b>	<b>-</b>
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Redeemed Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>III. EARNINGS PER SHARE</b>	<b>-</b>	<b>-</b>
3.1 TO OWNERS OF ORDINARY SHARES	0,002940	0,002859
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,2940	0,2859
3.3 TO OWNERS OF PRIVILEGED SHARES	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
<b>IV. DIVIDEND PER SHARE</b>	<b>-</b>	<b>-</b>
4.1 TO OWNERS OF ORDINARY SHARES	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(\* ) As at the report date, the General Assembly Meeting has not been held; therefore, only net profit is presented in the profit distribution table above for 2013.

(\*\* ) As per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company has deferred tax income amounting to TRY 519 which will not be included in profit distribution as at 31 December 2013 (31 December 2012: TRY 960).

The accompanying notes are an integral part of these financial statements.

# İŞ FAKTORING ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

## 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Factoring Finansman Hizmetleri A.Ş., was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. Company’s trade name was amended as İş Faktoring A.Ş. (“the Company”) at the Ordinary General Assembly on 27 March 2013. The change in title has been registered in the Trade Registry Gazette dated 16 April 2013 and numbered 1353. The core business of the Company is factoring operations, both domestic and abroad. The Company maintains its operations within the framework of “Leasing, Factoring and Financing Companies Law” published on Official Gazette dated 13 December 2013 and numbered 28496 and “Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies”.

The Company is a Türkiye İş Bankası A.Ş. Group company. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2013, the number of employees of the Company is 56 (31 December 2012: 35).

The head office of the Company is located at:

İş Kuleleri, Kule 1 Kat: 10 34330 Levent / İstanbul Türkiye

### Dividend payable:

As at 31 December 2013, the Company does not have any dividend payable declared by the General Assembly (31 December 2012: None).

### Approval of the financial statements:

The financial statements as at 31 December 2013 have been approved by the Board of Directors of the Company and authorized for issue at 10 March 2014. The General Assembly and/or regulatory authorities have the discretion of making changes in the financial statements after their issuance.

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

### 2.1 Basis of the Presentation

The accompanying financial statements are prepared in accordance with “Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public” published on the Official Gazette no.28861 dated 24 December 2013 promulgated by Banking Regulation and Supervision Agency (“BRSA”), Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the appendices and interpretations promulgated by Turkish Accounting Standards Board (“TASB”) and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred as “Reporting Standards”).

The accompanying financial statements are prepared on the historical cost basis except for the financial instruments recognized at fair value. Historical cost determined by the amount paid for the assets is based on fair value.

### Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

# İŞ FAKTORING ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND  
FOR THE YEAR ENDED 31 DECEMBER 2013

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

### 2.1 Basis of the Presentation (Continued)

#### Functional and Reporting Currency

Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira (“TRY”).

#### Preparation of Financial Statements in Hyperinflationary Periods

The financial statements of the Company have been adjusted for the effects of inflation in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies” until 31 December 2004. By a circular issued on 28 April 2005, BRSA declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 December 2013 were adjusted for the effects of inflation that lasted till 31 December 2004 for the items acquired before 31 December 2004 and the items which were acquired after 1 January 2005 were accounted for at their respective nominal amounts.

#### Comparative information and correction of previous’ periods’ financial statements

The accompanying financial statements are presented comparatively to determine the trends in the financial statements of the Company. If the presentation and reclassification of the financial statement items change, the prior year financial statements are reclassified accordingly to conform the current year’s presentation and the restatement is explained in the notes.

#### Accounting estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 7 – Factoring receivables, non-performing receivables

Note 11 – Deferred tax assets and liabilities

Note 16 – Employee benefits

Note 20 – Commitments and contingencies

Note 32 – Additional information about financial instruments

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(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

### 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

#### 2.2 Changes in Accounting Policies

Except for the new standards summarised below, the accounting policies applied for the year ended 31 December 2012 have been applied consistently for the year ended 31 December 2013 in preparing these financial statements.

The material changes in accounting policies are applied on a retrospective basis and the comparative financial statements have been restated where applicable. The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013:

- TFRS 13 Fair Value Measurement (see note (i))
- TAS 1 Presentation of Financial Statements (Amendments) (see note (ii))
- TAS 19 Employee Benefits (2011) (see note (iii))

The nature and effects of the changes are explained below.

##### (i) *Fair Value Measurement*

TFRS 13 Fair Value Measurement establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other TFRSs.

It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other TFRSs, including TFRS 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of TFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company’s assets and liabilities.

##### (ii) *Presentation of items of other comprehensive income*

As a result of the amendments to TAS 1, the Company has modified the presentation of items of other comprehensive income in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

The amendments to TAS 1 had no significant impact on the total profit or loss and other comprehensive income and assets and liabilities.

##### (iii) *Employee benefits*

As a result of the amendments to TAS 19 (2011), all actuarial gains and losses are recognised in other comprehensive income.

Prior to these amendments, all actuarial gains and losses had been recognised in profit or loss. As the change in accounting policy do not have significant impact on the comparative financial statements for the year ended 31 December 2012, they have not been restated.

## **İŞ FAKTORING ANONİM ŞİRKETİ**

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### **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)**

#### **2.2 Changes in Accounting Policies (Continued)**

##### **(iv) Change in the form of the financial statements**

In accordance with the “Communiqué Related To The Financial Statements And Accounting Applications Of Financial Lease, Factoring and Finance Companies” published on the Official Gazette no.28861 dated 24 December 2013 promulgated by BRSA, the following reclassifications have been made in the financial statements as of 31 December 2012 in order to conform with the new form of the financial statements:

Short term prepaid expenses classified in “other assets” amounting to TRY 158 in the Company’s financial statements as at 31 December 2012 are re-classified to “prepaid expenses” in the comparative financial statements.

Corporate tax classified in “taxes and duties payable” amounting to TRY 1.211 in the Company’s financial statements as at 31 December 2012 are re-classified to “current period tax liability” in the comparative financial statements.

Bonus shares classified in “subsidiaries, associates and joint ventures” amounting to TRY 1.213 in the Company’s financial statements as at 31 December 2012 are re-classified to “other capital reserves” in the comparative financial statements.

Valuation differences classified in “subsidiaries, associates and joint ventures” amounting to TRY 4.654 in the Company’s financial statements as at 31 December 2012 are re-classified to “accumulated other comprehensive income that will be reclassified” in the comparative financial statements.

Interest paid on “operating profit before changes in operating assets and liabilities-other” amounting to TRY 31.541 in the Company’s statement of cash flows as at 31 December 2012 are re-classified to “operating profit before changes in operating assets and liabilities-interest paid” in the comparative financial statements.

#### **2.3 Accounting Estimates and Errors**

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Company in the current year.

Material accounting errors are adjusted retrospectively and prior periods’ financial statements are restated.

#### **2.4 Changes in Standards and Interpretation**

The Company applied all of the relevant and required standards TAS/TFRSs and related interpretations as at 31 December 2013.

Certain new standards, amendments to standards and interpretations not yet effective as at 31 December 2013 were not applied in the preparation of these financial statements. These standards and interpretations are as follows:

##### **TFRS 9 – *Financial instruments***

TFRS 9 – *Financial instruments*, is published by Turkish Accounting Standards Board in April 2010 as a part of a wider project that aims to bring new regulations to replace TAS 39 – *Financial Instruments: Recognition and Measurement*.



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## 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

### 2.4 Changes in Standards and Interpretation (Continued)

#### *TFRS 9 – Financial instruments (Continued)*

Developing a new standard for the financial reporting of financial assets that is principle-based and less complex is aimed by this project. The objective of *TFRS 9*, being the first phase of the project, is to establish principles for the financial reporting of financial assets that will present relevant and useful information to users of financial statements for their assessment of amounts, timing and uncertainty of the entity’s future cash flows. With *TFRS 9* an entity shall classify financial assets as subsequently measured at either amortized cost or fair value on the basis of both the entity’s business model for managing the financial assets and the contractual cash flow characteristic of the financial assets. The guidance in TAS 39 on impairment of financial assets and hedge accounting continues to apply.

An entity shall apply TFRS 9 for annually years beginning on or after 1 January 2015. An earlier application is permitted. If an entity adopts this TFRS in its financial statements for a period beginning before 1 January 2012, then prior periods are not needed to be restated.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles used to prepare the accompanying financial statements are as follows:

### a. Revenue

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income is recognised on accruals basis using effective interest methods.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the payment.

All income and expenses are accounted for on accrual basis.

### b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated in straight-line method, over shorter of their useful lives or tenancy.

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the profit or loss as incurred.

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the statement of profit or loss.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### b. Tangible Assets (Continued)

The estimated useful lives for the current and comparative periods are as follows:

<u>Descriptions</u>	<u>Years</u>
Furniture and fixtures	5 years
Leasehold improvements	5 years

#### c. Intangible Assets

Intangible assets include computer software and licenses. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

#### d. Impairment of Non-Financial Assets

The carrying amounts of the Company’s non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

## İŞ FAKTORING ANONİM ŞİRKETİ

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### e. Borrowing Costs

All borrowing costs are recorded in the income statement in the period in which they are incurred.

#### f. Financial Instruments

##### Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: “financial assets as at fair value through profit or loss (FVTPL)”, “held-to-maturity investments”, “available-for-sale (AFS) financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

##### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

##### Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

##### Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

##### Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### f. Financial Instruments (Continued)

##### Available for sale financial assets (Continued)

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

##### Factoring receivables and other receivables

Loans and receivables include factoring receivables and other receivables. Factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

In accordance with the “Regulation on Accounting Practices and Financial Statements of Financial Leasing Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and numbered 28861 and the Communiqué No. 26588 on the “Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued at 20 July 2007 by BRSA, special provision rate allocated for the factoring receivables considering their guarantees are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year. While the Company provides 100% provision for doubtful factoring receivables which do not have worthy collaterals without considering the time intervals above, the Company provides provision for its doubtful factoring receivables having possibility of recovery based on the time intervals mentioned above.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

##### Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, the amount of impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### f. Financial Instruments (Continued)

##### Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

##### Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

##### Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in profit or loss. Changes in fair value, are recognized in the income statement. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

##### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### g. Derivative financial instruments and hedge accounting

The Company’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Company classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

#### h. Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
USD	2,1343	1,7826
Euro	2,9365	2,3517
GBP	3,5114	2,8708

In preparation of the financial statements of the Company, transactions in currencies other than TRY (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

#### i. Earnings Per Share

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

#### j. Events after the Reporting Period

Events after the Reporting Period means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 “Events After the Reporting Date”; post-balance sheet events that provide additional information about the Company’s position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

## İŞ FAKTORING ANONİM ŞİRKETİ

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### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### k. Provisions, Contingent Liabilities and Contingent Assets

In accordance with the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

#### l. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

#### m. Segment Reporting

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

#### n. Taxes on Income

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

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## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### n. Taxes on Income (Continued)

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### o. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 “Employee Benefits”, the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements. The main estimates used are as follows:

	2013	2012
Discount rate	3.29%	2,12%
Expected rate of salary/limit increase	5.00%	5,00%
Probability of retirement	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TRY 3.254,44 effective from 1 January 2014 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2012: full TRY 3.033.98).

### p. Statement of Cash Flows

In the statement of cash flows, cash flows are reported as classifying according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investing activities express cash used in investing activities (direct investments and financial investments) and cash flows generated from investing activities of the Company.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company.

### r. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

### s. Related Parties

In accordance with TAS 24 “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 8).



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### 4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading:

As at 31 December 2013 and 2012, details of financial assets held for trading are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Mutual funds	-	-	14	-
	-	-	14	-

Financial assets held for trading includes only Türkiye İş Bankası A.Ş. mutual funds.

Derivative Financial Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

As at 31 December 2013 and 2012, details of derivative financial assets held for trading are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Derivative financial assets held for trading	-	-	-	21
	-	-	-	21

	2013		2012	
	TRY	FC	TRY	FC
Derivative financial liabilities held for trading	-	-	-	7
	-	-	-	7

Derivative financial assets and liabilities held for trading includes derivative transactions for purchase/sales are performed with Türkiye İş Bankası A.Ş.

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### 5. BANKS

	2013		2012	
	TRY	FC	TRY	FC
Demand deposits	10.052	401	393	650
Time deposits	-	-	-	9.793
	<u>10.052</u>	<u>401</u>	<u>393</u>	<u>10.443</u>

There is no time deposits account as at 31 December 2013.

The details of the time deposits as at 31 December 2012 are as follows:

Currency	Interest Rate %	Maturity	2012
USD	0,60	02.01.2013	8.699
Euro	0,40	02.01.2013	1.094
			<u>9.793</u>

As at 31 December 2013, TRY 401 portion of total foreign currency deposits (31 December 2012: TRY 10.443) and TRY 49 portion of total TRY deposits (31 December 2012: TRY 392) consist of accounts at the Company’s ultimate shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying financial statements and the statement of cash flows is as follows:

	2013	2012
Demand deposits	10.453	1.043
Time deposits (1-3 months) (without accruals)	-	9.793
Cash and cash equivalents	<u>10.453</u>	<u>10.836</u>

As at 31 December 2013 and 2012, there is no any blockage on cash and cash equivalents.

### 6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2013 and 2012, details of financial assets available for sale are as follows:

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				2013	2012	2013	2012
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	2.43	2.43	2.43	9.667	11.478
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0.89	0.89	0.89	1.535	1.319
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0.06	0.06	0.06	38	38
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	Inf. Comm. and Techn. Services	İstanbul	1.00	1.00	1.00	302	277
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5.00	5.00	5.00	1.000	500
<b>TOTAL</b>						<u>12.542</u>	<u>13.612</u>

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### 7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	<u>2013</u>	<u>2012</u>
Domestic factoring receivables	797.779	988.967
Export and import factoring receivables	149.425	27.750
Factoring interest income accrual	3.685	2.997
Unearned interest income	(7.240)	(4.770)
	<u>943.649</u>	<u>1.014.944</u>
Non-performing factoring receivables (*)	<u>16.945</u>	<u>10.902</u>
Provision for non-performing factoring receivables (*)	<u>(14.564)</u>	<u>(10.902)</u>
	<u>946.030</u>	<u>1.014.944</u>

(\*) Classified in Receivables under Follow-up in the statement of financial position.

TRY 93.052, Euro 3.823 and UK Sterling 224 of factoring receivables have variable rates (31 December 2012: TRY 376.288, Euro 2.417.083 and USD 2.617.254) while TRY 553.394, Euro 175.003, USD 86.057 and of factoring receivables have fixed rates (31 December 2012: TRY 610.720, Euro 5.176.643 and USD 3.035.993).

As at 31 December 2013, the average interest rate applicable for the factoring receivables is; 11.70% for TRY, 5.79% for USD and 5.59% for Euro (31 December 2012: 8.71% for TRY, 7.17 % for USD and 5.16% for Euro).

The Company has contractual sureties as collateral for factoring receivables.

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>2013</u>	<u>2012</u>
Domestic irrevocable	371.080	636.446
Foreign irrevocable	11.967	8.816
Domestic revocable	422.489	350.562
Foreign revocable	138.113	19.120
	<u>943.649</u>	<u>1.014.944</u>

Except for its non-performing receivables for which 100% allowance is provided, however less than 90 days, the Company has overdue factoring receivables of TRY 1.649, the Company does not have overdue factoring receivables as at the reporting date as restructured overdue and doubtful receivables (31 December 2012: TRY 87). If such receivables were not restructured, they would be classified as overdue or doubtful receivables.

## İŞ FAKTORING ANONİM ŞİRKETİ

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### 7. FACTORING RECEIVABLES AND PAYABLES (Continued)

Factoring receivables (Continued):

The aging of non-performing factoring receivables is as follows:

	2013	2012
Between 90 – 180 days	4.560	8.763
Between 180 – 360 days	1.851	-
Over 360 days	10.534	2.139
	<u>16.945</u>	<u>10.902</u>

The Company has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of allowance for non-performing factoring receivables is as follows:

	2013	2012
Allowance at the beginning of the period	(10.902)	(2.603)
Allowance set during the period (Note 27)	(4.006)	(8.602)
Collections (Note 24)	344	303
Allowance at the end of the period	<u>(14.564)</u>	<u>(10.902)</u>

Factoring Payables:

As at 31 December 2013 and 2012, details of factoring payables are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Factoring payables	28	502	54	73
Total	<u>28</u>	<u>502</u>	<u>54</u>	<u>73</u>

### 8. RELATED PARTIES

	2013	2012
<u>Factoring receivables</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	16.920	16.595
Ant Gıda Tarım Tur. En. ve Demir Çelik San.Tic.A.Ş.	1.500	6.353
Kültür Yayınları İş-Türk A.Ş.	139	1.142
	<u>18.559</u>	<u>24.090</u>
<u>Payables</u>		
İş Merkezleri Yönetim ve İşletim A.Ş.	4	1
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	3	-
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş	1	1
Türkiye İş Bankası A.Ş.	-	47
	<u>8</u>	<u>49</u>

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### 8. RELATED PARTIES (Continued)

<u>Deposits</u>	<u>2013</u>	<u>2012</u>
Türkiye İş Bankası A.Ş. Time Deposits	-	9.793
Türkiye İş Bankası A.Ş. Demand Deposits	401	1.002
İş Bank London Branch Demand Deposits	49	39
	<u>450</u>	<u>10.834</u>

#### Borrowings

As at 31 December 2013 and 2012, details of borrowings from related parties are as follows:

#### Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>2013</u>
TRY	9,35 - 9,45	10.01.2014 – 13.02.2014	64.834
USD	2,80 - 3,80	02.01.2014 – 15.05.2014	85.401
Euro	3,40 - 4,25	03.01.2014 – 24.03.2014	19.245
			<u>169.480</u>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>2012</u>
TRY	6,40 - 12,00	07.01.2013	515.226
USD	3,60 - 6,65	04.02.2013-05.12.2013	18.470
Euro	3,75 - 4,50	04.01.2013 - 27.01.2013	484
			<u>534.180</u>

#### İş Bank AG (\*)

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>2013</u>
Euro	2,25	Overdraft	10.971
			<u>10.971</u>

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>2012</u>
Euro	3,00	Overdraft	11.618
Euro	1,90 - 4,54	25.01.2013-27.12.2013	8.961
USD	4,13 - 4,67	29.05.2012-07.11.2013	9.700
			<u>30.279</u>

(\*)The Bank’s trade name “İşbank GmbH” was changed to İşbank AG on 3 August 2012.

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### 8. RELATED PARTIES (Continued)

#### Borrowings (Continued)

##### İş Bank London Branch

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>2013</u>
USD	-	-	-
			-
<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>2012</u>
USD	3,50 - 4,00	12.09.2013 – 27.12.2013	9.535
			9.535

For the periods ended 31 December 2013 and 2012, income and expenses from related parties are as follows:

	<u>2013</u>	<u>2012</u>
<u>Interest income</u>		
Türkiye İş Bankası A.Ş.	14	19
Türkiye İş Bankası A.Ş. Bahreyn Branch	54	-
	<u>68</u>	<u>19</u>
	<u>2013</u>	<u>2012</u>
<u>Factoring interest income</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	1.414	415
Ant Gıda Tarım Turizm Enerji ve Demir Çelik San. Tic. A.Ş.	491	602
Kültür Yayınları İş-Türk A.Ş.	39	177
Nevotek Bilgisayar Ses ve İlet. Sist. Sanayi ve Ticaret A.Ş.	-	40
	<u>1.944</u>	<u>1.234</u>
<u>Factoring commission income</u>		
Şişe Cam Dış Tic.A.Ş.	104	150
Kültür Yayınları İş-Türk A.Ş.	7	15
	<u>111</u>	<u>165</u>
<u>Dividend income</u>		
İş Yatırım Menkul Değerler A.Ş.	1.083	4
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	351	179
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	56	999
Yatırım Finansman Menkul Değerler A.Ş.	-	90
	<u>1.490</u>	<u>1.272</u>
<u>Financing expense</u>		
Türkiye İş Bankası A.Ş.	10.141	11.445
İşbank AG	1.148	374
İş Bankası Londra Şubesi	326	5
	<u>11.615</u>	<u>11.824</u>
<u>Commision expense</u>		
Türkiye İş Bankası A.Ş.	81	311
	<u>81</u>	<u>311</u>

## İŞ FAKTORİNG ANONİM ŞİRKETİ

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### 8. RELATED PARTIES (Continued)

<u>Mutual fund income</u>	<u>2013</u>	<u>2012</u>
Türkiye İş Bankası A.Ş.	<u>15</u>	<u>51</u>
	<u>15</u>	<u>51</u>
<u>General administrative expense</u>		
Türkiye İş Bankası A.Ş.	537	345
Anadolu Anonim Türk Sigorta A.Ş.	129	107
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	50	33
İş Merkezleri Yönetim ve İşletim A.Ş.	15	1
Anadolu Hayat Emeklilik A.Ş.	7	54
	<u>738</u>	<u>540</u>
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	<u>805</u>	<u>686</u>
	<u>805</u>	<u>686</u>

#### Derivative transactions with the related parties

There is no derivative transactions as at 31 December 2013. Derivative transactions presented in the accompanying financial statements are performed with Türkiye İş Bankası A.Ş. as at 31 December 2012.

<u>Key management personnel compensation (*)</u>	<u>2013</u>	<u>2012</u>
Salaries and other short-term benefits (**)	<u>1.727</u>	<u>1.219</u>
	<u>1.727</u>	<u>1.219</u>

(\*) Key management consists of general manager, assistant general managers and members of the board of directors.

(\*\*) Consists of monetary benefits along with vehicle rentals and other associated expenses.

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## 9. TANGIBLE ASSETS

	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>			
Opening balance at 1 January 2013	612	19	631
Additions	102	7	109
Disposals	-	-	-
Closing balance at 31 December 2013	<u>714</u>	<u>26</u>	<u>740</u>
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2013	(221)	(7)	(228)
Depreciation for the year	(130)	(4)	(134)
Disposals	-	-	-
Closing balance at 31 December 2013	<u>(351)</u>	<u>(11)</u>	<u>(362)</u>
Carrying amounts at 31 December 2013	<u>363</u>	<u>15</u>	<u>378</u>

	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>			
Opening balance at 1 January 2012	609	19	628
Additions	3	-	3
Disposals	-	-	-
Closing balance at 31 December 2012	<u>612</u>	<u>19</u>	<u>631</u>
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2012	(100)	(3)	(103)
Depreciation for the year	(121)	(4)	(125)
Disposals	-	-	-
Closing balance at 31 December 2012	<u>(221)</u>	<u>(7)</u>	<u>(228)</u>
Carrying amounts at 31 December 2012	<u>391</u>	<u>12</u>	<u>403</u>



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### 10. INTANGIBLE ASSETS

	<u>2013</u>	<u>2012</u>
<u>Cost</u>		
Opening balance at 1 January	339	223
Additions	102	116
Disposals	-	-
Closing balance at the end of the year	<u>441</u>	<u>339</u>
<u>Accumulated amortisation</u>		
Opening balance at 1 January	(112)	(75)
Charge for year	(59)	(37)
Disposals	-	-
Closing balance at the end of the year	<u>(171)</u>	<u>(112)</u>
Carrying amounts at the end of the year	<u>270</u>	<u>227</u>

### 11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2013 and 2012, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

<u>Temporary differences subject to deferred tax:</u>	<u>2013</u>	<u>2012</u>
Unearned interest income	7.240	4.770
Reserve for employee benefits	112	282
Employee bonus accrual	221	194
Allowance for doubtful factoring receivables	111	111
Impairment loss in associates	115	115
Unused vacation	167	69
Tax base differences in tangible and intangible assets	(327)	(316)
Valuation differences on financial instruments	-	(14)
	<u>7.639</u>	<u>5.211</u>
<u>Deferred tax assets / (liabilities)</u>	<u>2013</u>	<u>2012</u>
Unearned interest income	1.448	954
Reserve for employee benefits	23	56
Employee bonus accrual	44	39
Allowance for doubtful factoring receivables	22	22
Impairment loss in associates	23	23
Unused vacation	33	14
Tax base differences in tangible and intangible assets	(65)	(63)
Valuation differences on financial instruments	-	(3)
Deferred tax assets (net)	<u>1.528</u>	<u>1.042</u>

## İŞ FAKTORING ANONİM ŞİRKETİ

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### 11. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements of deferred tax assets movement for the years ended 31 December 2013 and 2012 are as follows:

	2013	2012
Opening balance at 1 January	1.042	82
Deferred tax benefit / (expense)	501	960
Other comprehensive income/(expense)	(15)	-
Closing balance	<u>1.528</u>	<u>1.042</u>

Tax rate used in computation of deferred tax assets and liabilities is 20% (31 December 2012: 20%).

### 12. PREPAID EXPENSES

As at 31 December 2013 and 2012, details of prepaid expenses are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Prepaid expenses (*)	316	-	158	-
	<u>316</u>	<u>-</u>	<u>158</u>	<u>-</u>

(\*) As at 31 December 2013 and 2012, prepaid expenses consists of TRY 228 of subscription fees, TRY 79 of insurance expense and TRY 9 of data processing expense (31 December 2012: prepaid expenses consists of TRY 76 of subscription fees, TRY 50 of insurance expense and TRY 32 of tax asset).

### 13. FUNDS BORROWED

As at 31 December 2013 and 2012, details of funds borrowed are as presented:

	2013		2012	
	TRY	FC	TRY	FC
Short-term borrowings	684.981	155.142	893.948	84.843
Short-term portion of long-term borrowings	-	58.722	-	-
Total short-term borrowings	<u>684.981</u>	<u>213.864</u>	<u>893.948</u>	<u>84.843</u>
Long-term borrowings	-	-	-	-
Total long-term borrowings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>684.981</u>	<u>213.864</u>	<u>893.948</u>	<u>84.843</u>

As at 31 December 2013 and 2012, details of borrowings based on types of currency are as follows:

Currency	Interest rate %	Original currency amount	2013
TRY (*)	8,20-10,09	-	597.500
USD	2,80-4,10	54.878	117.127
Euro	1,80-4,85	61.220	179.773
GBP	4,50	73	255
Interest accruals	-	-	4.190
Total			<u>898.845</u>

(\*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying balance sheet.

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### 13. FUNDS BORROWED (Continued)

Currency	Interest rate %	Original currency amount	2013
TRY (*)	6,00-12,00	-	875.426
USD	3,50-6,65	44.296	78.962
Euro	1,90-4,54	9.208	21.655
Interest accruals	-	-	2.748
Total			<u>978.791</u>

(\*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying balance sheet.

As at 31 December 2013 and 2012, interest rates are presented as compounded.

As at 31 December 2013 and 2012, the details of fixed and variable rate borrowings are as followed:

	2013		2012	
	TRY	FC	TRY	FC
Fixed rate	684.981	213.864	16.456	84.843
Variable rate	-	-	877.492	-
	<u>684.981</u>	<u>213.864</u>	<u>893.948</u>	<u>84.843</u>

Fair values of the funds borrowed are presented in Note 32.

As at 31 December 2013, the Company has available unused credit lines amounting TRY 1.956.214 for which all precedent conditions were met (31 December 2012: TRY 1.126.257).

### 14. OTHER PAYABLES

As at 31 December 2013 and 2012, details of other payables are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Payables to suppliers	350	38	299	40
	<u>350</u>	<u>38</u>	<u>299</u>	<u>40</u>

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### 15. TAXES AND DUTIES PAYABLE

As at 31 December 2013 and 2012, details of taxes and duties payables are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Banking and Insurance Transaction Tax payable	415	-	373	-
Income tax payable	94	-	89	-
Premium payable	70	-	47	-
Other taxes and duties payable	4	-	7	-
	<u>583</u>	<u>-</u>	<u>516</u>	<u>-</u>

### 16. EMPLOYEE BENEFITS

As at 31 December 2013 and 2012, details of reserve for employee benefits are as follows:

	2013	2012
Reserve for employee severance indemnity	<u>112</u>	<u>282</u>
Unused vacation provision	167	69
Employee bonus provision	<u>221</u>	<u>194</u>
	<u>500</u>	<u>545</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002. As the retirement pay ceiling is revised semi annually, the ceiling amount of TRY full 3.254,44 effective from 31 December 2013 has been taken into consideration in calculation of provision for employee termination benefits.

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

	2013	2012
Discount rate	<u>3,29%</u>	<u>2,12%</u>
Inflation rate	5%	5%
Probability of retirement	100%	100%

For the periods ended 31 December 2013 and 2012, movements in retirement pay provision are as follows:

	2013	2012
Balance at the beginning of the period	<u>282</u>	<u>186</u>
Interest cost	28	6
Service cost	22	61
Payment made during the period	(142)	(43)
Actuarial difference	<u>(78)</u>	<u>72</u>
Balance at the end of the period	<u>112</u>	<u>282</u>

As at 1 January 2013 actuarial gains and losses are recorded to other comprehensive income.

## İŞ FAKTORING ANONİM ŞİRKETİ

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### 16. EMPLOYEE BENEFITS (Continued)

The movements of the provision for unused vacation during the periods ended 31 December 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the period	69	51
Provision set during the period (net)	<u>98</u>	<u>18</u>
Balance at the end of the period	<u><u>167</u></u>	<u><u>69</u></u>

The movements of the bonus provision during the periods ended 31 December 2013 and 2012 are as follows:

	<u>2013</u>	<u>2012</u>
Balance at the beginning of the period	194	169
Provision set during the period (net)	221	194
Paid during during the period	<u>(194)</u>	<u>(169)</u>
Balance at the end of the period	<u><u>221</u></u>	<u><u>194</u></u>

### 17. CURRENT PERIOD TAX EXPENSE

As at 31 December 2013 and 2012, details of corporate tax provision and prepaid taxes are as follows:

	<u>2013</u>	<u>2012</u>
Current period corporate tax provision	3.920	3.633
Corporate taxes paid in advance during the year	<u>(2.525)</u>	<u>(2.422)</u>
Corporate tax provision	<u><u>1.395</u></u>	<u><u>1.211</u></u>
	<u>2013</u>	<u>2012</u>
Corporate tax provision at the beginning of the year	1.211	549
Total income tax expense	3.920	3.633
Corporate taxes paid during the year	<u>(3.736)</u>	<u>(2.971)</u>
Corporate tax provision	<u><u>1.395</u></u>	<u><u>1.211</u></u>

### 18. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2013, nominal share capital of the Company is TRY 40.000 and the share capital of the Company consists of 4.000.000.000 issued shares with TRY 0.01 nominal value each. On 10 May 2013, the Company has increased its share capital by TRY 24.000 from TRY 16.000 to TRY 40.000 by using its extraordinary reserves.

As at 31 December 2013 and 2012, shareholders and their ownership percentages are as follows:

Shareholders	(%)	2013	(%)	2012
İş Finansal Kiralama A.Ş.	78,2311	31.293	78,2311	12.517
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	8.698	21,7500	3.480
Trakya Yatırım Holding A.Ş.	0,0063	3	0,0063	1
Camiş Yatırım Holding A.Ş.	0,0063	3	0,0063	1
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	3	0,0063	1
Total	<u>100,0000</u>	<u>40.000</u>	<u>100,0000</u>	<u>16.000</u>

The Company does not have preferred shares.

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## 18. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

### Capital Reserves

As at 31 December 2013 and 2012, details of capital reserves are as follow:

	2013	2012
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and jointly controlled entities (*)	1.213	1.213
Total	<u>5.277</u>	<u>5.277</u>

(\*)Resulted from valuation of the Company’s available for sale financial assets which are publicly traded.

### Bonus shares obtained from associates, subsidiaries and jointly controlled entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

### Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

As at 31 December 2013, the Company has presented TRY 2.385 of difference gained from revaluation between cost and fair value of assets available for sale under equity (31 December 2012: TRY 4.654).

### Gain/(Loss) on Remeasurement of Defined Benefit Plans

The Company recognizes actuarial gains / losses arising from remeasurement of defined benefit plans in other comprehensive income and other gains / losses arising from remeasurment of defined benefit plans at personel expense in the statement of profit or loss.

The Company recognises gains or losses on the reimbursements or settlement of a defined benefit plan when the reimbursements or settlement occurs. The reimbursements or settlement of a defined benefit plan compromises any resulting change in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any related actuarial gains and losses and past service cost had not previously been recognised.

## 19. PROFIT RESERVES

	2013	2012
Legal reserves	1.940	1.711
Extraordinary reserves	7.299	26.953
Total	<u>9.239</u>	<u>28.664</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

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### 20. COMMITMENTS AND CONTINGENCIES

As at 31 December 2013 and 2012, the details of guarantee taken by the Company are as follows:

	2013		2012	
	TRY	FC	TRY	FC
Letters of guarantee	8.330	588	20.540	470
Mortgages	15	1.189	15	-
Security Pledge	6.000	-	6.000	-
	<u>14.345</u>	<u>1.777</u>	<u>26.555</u>	<u>470</u>

As at 31 December 2013, TRY 2.020 of letters of guarantee are given to customs, authorities and banks (31 December 2012: TRY 1.505).

As at 31 December 2013, the Company has no commitments in connection with irrevocable commitments (31 December 2012: TRY 500).

As at the reporting date, the Company does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables (31 December 2012: None).

As at 31 December 2013, the Company has no derivative instrument. As at 31 December 2012, the details of derivative instruments of the Company are as follows:

	31 December 2012	
	FC Amount	TRY
Forward Purchase Transactions:		
TRY	-	<u>1.960</u>
		<u>1.960</u>
Forward Sale Transactions:		
USD	950.000	1.694
Euro	100.000	235
		<u>1.929</u>

As at 31 December 2013, the Company has no unrealized profit and loss in relation to the fair value changes of forward transactions designated at through profit or loss. (31 December 2012: TRY 21 of unrealized gain and TRY 7 of unrealized loss in relation to the fair value changes of forward transactions designated at through profit or loss).

31 December 2013 and 2012, the details of the Company’s items held in custody is as follows:

	2013		2012	
	TRY	FC	TRY	FC
Cheques	147.651	32.350	131.279	18.154
Notes	1.056.798	259.704	385.368	56.304
	<u>1.204.449</u>	<u>292.054</u>	<u>516.647</u>	<u>74.458</u>

### 21. SEGMENT REPORTING

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance is reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

### 22. EVENTS AFTER THE REPORTING PERIOD

None.

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### 23. OPERATING INCOME

For the periods ended 31 December 2013 and 2012, details of operating income are as follows:

	<u>2013</u>	<u>2012</u>
Interest income from factoring receivables	53.660	49.108
Fee and commission from factoring receivables	5.346	2.876
	<u>59.006</u>	<u>51.984</u>

### 24. FINANCING EXPENSES

For the periods ended 31 December 2013 and 2012, details of financing expenses are as follows:

	<u>2013</u>	<u>2012</u>
Interest expenses	(34.536)	(31.766)
Fee and commission expenses	(726)	(602)
	<u>(35.262)</u>	<u>(32.368)</u>

### 25. OPERATING EXPENSES

For the periods ended 31 December 2013 and 2012, details of operating expenses are as follows:

	<u>2013</u>	<u>2012</u>
Personnel expenses	(5.595)	(3.706)
Office rent expenses	(805)	(686)
Consultancy expenses	(800)	(170)
Information technology expenses	(280)	(117)
Vehicle expenses	(206)	(153)
Depreciation and amortisation expenses	(193)	(163)
Attorney –Litigation expenses	(81)	(379)
Provision for employee severance indemnity	-	(96)
Other general administrative expenses	(799)	(862)
	<u>(8.759)</u>	<u>(6.332)</u>

### 26. OTHER OPERATING INCOME

For the periods ended 31 December 2013 and 2012, details of other operating income are as follows:

	<u>2013</u>	<u>2012</u>
Foreign exchange gains	66.063	27.354
Dividend income	1.490	1.272
Interest income	365	398
Collections from non-performing receivables	344	303
Derivative transactions	57	21
Other	1.431	520
	<u>69.750</u>	<u>29.868</u>



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### 28. SPESIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 December 2013 and 2012, details of specific provision for non-performing receivables are as follows:

	<u>2013</u>	<u>2012</u>
Specific provision expenses	(4.006)	(8.602)
	<u>(4.006)</u>	<u>(8.602)</u>

### 28. OTHER OPERATING EXPENSES

For the periods ended 31 December 2013 and 2012, details of other operating expenses are as follows:

	<u>2013</u>	<u>2012</u>
Foreign exchange losses	(65.512)	(27.288)
Losses from derivative financial transactions	(39)	(7)
Other	-	(7)
	<u>(65.551)</u>	<u>(27.302)</u>

### 29. TAXATION

For the periods ended 31 December 2013 and 2012, details of income tax expense are as follows:

	<u>2013</u>	<u>2012</u>
Current tax charge	(3.920)	(3.633)
Deferred tax benefit / (expense)	501	960
	<u>(3.419)</u>	<u>(2.673)</u>

The reported income tax expenses for the year is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Company, as shown in the following reconciliation:

	<u>%</u>	<u>2013</u>	<u>%</u>	<u>2012</u>
Net profit for the period		11.759		4.575
Total tax income		3.419		2.673
Profit before tax		<u>15.178</u>		<u>7.248</u>
Income tax using the Company's tax rate	20,00	3.036	20,00	1.450
- Non deductible expenses	15,21	2.308	34,65	2.511
- Tax exempt income	(12,68)	<u>(1.925)</u>	(17,77)	<u>(1.288)</u>
Total income tax expense	22,53	<u>3.419</u>	36,88	<u>2.673</u>

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### 29. TAXATION (Continued)

#### Corporate Tax

The Company is subject to the Turkish corporate taxes. Allowance is made in the accompanying financial statements for the estimated charge based on the Company’s results for the period.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

As at 31 December 2013, corporate income tax rate is 20% (31 December 2012: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2013 is 20% (2012: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4. month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 June 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

#### Transfer Pricing:

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué, 18 November 2007 dated, on disguised profit distribution via Transfer Pricing sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

### 30. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

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### 30. EARNINGS PER SHARE (Continued)

The weighted average number of shares of the Group and earnings per share for the periods ended 31 December 2013 and 31 December 2012 are as follows:

	<u>1 January- 31 December 2013</u>	<u>1 January- 31 December 2012</u>
Weighted average number of outstanding shares (*)	4.000.000.000	4.000.000.000
Net profit for the period (TRY)	11.759	4.575
Basic earnings per share (full Kuruş) (**)	0,2940	0,1144

(\*) As at 31 December 2013, the share capital of the Company consists of 4.000.000.000 shares having Kuruş 1 nominal price.

	<u>31 December 2013</u>	<u>31 December 2012</u>
Number of shares at beginning of the period	1.600.000.000	1.600.000.000
Capital increase (*)	2.400.000.000	-
Number of shares at end of the period	<u>4.000.000.000</u>	<u>1.600.000.000</u>

(\*) Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share figure.

### 31. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

#### (a) Capital risk management

The Company manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2013, the debt/equity ratio is 8% as at 31 December 2013 (31 December 2012: 6%). As at 31 December 2013 and 2012, the leverage ratios are as follows;

	<u>2013</u>	<u>2012</u>
Funds borrowed	898.845	978.791
Factoring payables	530	127
Other payables	388	339
Total liabilities	<u>899.763</u>	<u>979.257</u>
Banks (-)	<u>(10.453)</u>	<u>(10.836)</u>
Net liabilities	<u>889.310</u>	<u>968.421</u>
Total shareholders' equity	69.276	59.724
Shareholders' equity / liabilities	8%	6%

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (b) Categories of financial instruments

	2013	2012
<u>Financial assets:</u>		
Banks	10.453	10.836
Financial assets at fair value through profit or loss:		
- Financial assets held for trading	-	14
- Derivative financial assets	-	21
Factoring receivables and non-performing factoring receivables	946.030	1.014.944
Financial assets available for sale	12.542	13.612
<u>Financial Liabilities:</u>		
Funds borrowed	(898.845)	(978.791)
Financial assets at fair value through profit or loss:		
-Derivative financial liabilities	-	(7)
Factoring payables	(530)	(127)
Other payables	(388)	(339)

#### (c) Financial risk management objectives

The Company management is responsible for coordinating access to domestic and international markets, monitoring and managing the financial risks relating to the operations of the Company. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and credit risk.

#### (d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section e), interest rates (refer to section f) and equity prices will affect the Company’s income or the value of its holdings of financial instruments. At the Company level, market risk exposures are measured by sensitivity analysis.

The Company uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Company does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

There has been no change in the Company’s exposure to market risks or the method it uses to manage and measure such risks.

#### (e) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company manages its foreign currency risk arising from its operations and cash flows of financial contracts by monitoring in a timely manner.

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

As at 31 December 2013 and 2012, details of foreign currency denominated assets and liabilities are as follows:

#### (e) Currency risk management (Continued)

<u>31 December 2013</u>	USD 000	Euro 000	GBP 000	TRY Equivalent
Banks	116	36	14	401
Factoring receivables (*)	55.321	60.898	87	297.202
Total assets	55.437	60.934	101	297.603
Factoring Payables	(56)	(131)	-	(502)
Funds borrowed (**)	(55.117)	(61.368)	(73)	(298.098)
Other payables	(2)	(11)	-	(38)
Total liabilities	(55.175)	(61.510)	(73)	(298.638)
Balance sheet position	262	(576)	28	(1.035)
Off balance sheet position	-	-	-	-
Net foreign currency position	262	(576)	28	(1.035)

(\*) Foreign currency indexed factoring receivables amounting to USD 34,925 Thousand, Euro 24,717 Thousand (Total: TRY 147,122) are presented in TRY column in the accompanying financial statements as at 31 December 2013.

(\*\*) Foreign currency indexed funds borrowed amounting to USD 5.935 Thousand and Euro 24.372 Thousand (Total: TRY 84.234) are presented in TRY column in the accompanying financial statements as at 31 December 2013.

<u>31 December 2012</u>	USD 000	Euro 000	GBP 000	TRY Equivalent
Banks	4.973	647	20	10.443
Factoring receivables (*)	41.225	9.072	-	94.804
Total assets	46.198	9.719	20	105.247
Factoring Payables	-	(31)	-	(73)
Funds borrowed (**)	(44.646)	(9.232)	-	(101.299)
Other payables	-	-	(14)	(40)
Total liabilities	(44.646)	(9.263)	(14)	(101.412)
Balance sheet position	1.552	456	6	3.835
Off balance sheet position	(950)	(100)	-	(1.929)
Net foreign currency position	602	356	6	1.906

(\*) Foreign currency indexed factoring receivables amounting to USD 35.562 Thousand and Euro 1.478 Thousand (Total: TRY 66.868) are presented in TRY column in the accompanying financial statements as at 31 December 2012.

(\*\*) Foreign currency indexed funds borrowed amounting to USD 8.958 Thousand and Euro 207 Thousand (Total: TRY 16.456) are presented in TRY column in the accompanying financial statements as at 31 December 2012.

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (e) Currency risk management (Continued)

##### Foreign currency sensitivity

The Company is mainly exposed to USD and Euro exchange rate risks. The table below indicates the sensitivity of the Company to USD and Euro when there is a 15% of change in such exchange rates. The Company uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management’s expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Company’s exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<u>2013</u>				
15% change of the USD against TRY				
1- Net USD asset/liability	84	(84)	84	(84)
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	84	(84)	84	(84)
15% change of the Euro against TRY				
4- Net Euro asset/liability	(254)	254	(254)	254
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	(254)	254	(254)	254
15% change of other currencies against TRY				
7-Net other currencies asset/liability	15	(15)	15	(15)
8-Hedged portion of TRY against other currency risk (-)	-	-	-	-
9-Net effect of other currencies (7+8)	15	(15)	15	(15)
TOTAL (3+6+9)	(155)	155	(155)	155

<sup>(\*)</sup>Includes profit/loss effect.

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (e) Currency risk management (Continued)

##### Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity <sup>(*)</sup>	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<u>2012</u>				
15% change of the USD against TRY				
1- Net USD asset/liability	415	(415)	415	(415)
2- Hedged portion of TRY against USD risk (-)	(254)	254	(254)	254
3- Net effect of USD (1+ 2)	161	(161)	161	(161)
15% change of the Euro against TRY				
4- Net Euro asset/liability	161	(161)	161	(161)
5- Hedged portion of TRY against Euro risk (-)	(35)	35	(35)	35
6- Net effect of Euro (4+5)	126	(126)	126	(126)
15% change of other currencies against TRY				
7-Net other currencies asset/liability	3	(3)	3	(3)
8-Hedged portion of TRY against other currency risk (-)	-	-	-	-
9-Net effect of other currencies (7+8)	3	(3)	3	(3)
TOTAL (3+6+9)	290	(290)	290	(290)

<sup>(\*)</sup> Includes profit/loss effect.

#### (f) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

##### Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Company’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Company management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management of the Company.

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (f) Interest risk management (Continued)

As at 31 December 2013 and 2012, the interest rate profile of the Company’s interest-bearing financial instruments is as follows:

Interest Position Table		
	2013	2012
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	-	9.793
Factoring receivables	814.534	628.306
Financial liabilities:		
Funds borrowed	898.845	101.299
<i>Variable rate instruments</i>		
Financial assets:		
Factoring receivables	129.115	386.638
Financial liabilities:		
Funds borrowed	-	877.492

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from variable rate factoring contracts would increase by TRY 1.291 (31 December 2012: TRY 3.813).
- Interest expense from variable rate funds borrowed (borrowings) would not change (31 December 2012: TRY 8.775).

#### (g) Other price risks

The Company is exposed to equity share price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Company.

#### Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher/lower and all other variables were fixed as at reporting date:

Revaluation reserve under equity would increase/decrease by TRY 358 (except tax effect) due to changes in the fair value of equity shares which is traded on Istanbul Stock Exchange (“ISE”), shown as marketable securities available for sale in the accompanying financial statements and measured by market value in consequence of potential fluctuations in the index (31 December 2012: TRY 698).



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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company’s exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors.

Factoring receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of factoring receivables is as follows:

	<u>2013 (%)</u>	<u>2012 (%)</u>
Metal industry	14,57	7,84
Forestry products	12,64	1,14
Motor vehicles	12,19	6,51
Energy, gas, water and petroleum resources	11,73	55,14
Machine and equipment	10,89	1,03
Chemical, plastic and pharmacy	7,29	4,10
Construction	6,18	1,04
Logistic	4,36	0,44
Textiles	3,71	3,23
Health	2,28	1,68
Food and beverages	2,03	2,42
Tourism	0,38	0,14
Other	11,75	15,29
	<u>100,00</u>	<u>100,00</u>

As at 31 December 2013, approximately 16% of factoring receivables consists of receivables from a risk Group amounting to TRY 150,263 ( As at 31 December 2012, approximately 49% of factoring receivables consists of receivables from a risk Group amounting to TRY 492,174.). The Company is exposed to a concentration risk because of higher proportion of receivables from that risk group.

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (h) Credit risk management (Continued)

As at 31 December 2013, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2013	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Third party	Cash at banks	
Exposure to maximum credit risk as at reporting date (*)	18.559	923.441	10.453	-
- The portion of maximum risk covered by guarantee	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	18.559	923.441	10.453	-
- The portion covered by guarantee	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	1.649	-	-
- The portion covered by guarantee	-	1.649	-	-
D. Net carrying value of impaired assets	-	2.381	-	-
- Overdue (gross book value)	-	16.945	-	-
- Impairment (-)	-	(14.564)	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(\*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(\*\*) Includes collaterals for the assets impaired but not overdue.

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (h) Credit risk management (Continued)

As at 31 December 2012, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2012	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Third party	Cash at banks	
Exposure to maximum credit risk as at reporting date (*)	24.090	990.854	10.836	35
- The portion of maximum risk covered by guarantee	-	854	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	24.090	990.767	10.836	35
- The portion covered by guarantee	-	854	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	87	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	10.902	-	-
- Impairment (-)	-	(10.902)	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(\*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(\*\*) Includes collaterals for the assets impaired but not overdue.

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## 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (i) Liquidity risk management

The Company management has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate reserves and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

#### Liquidity risk table

The following table details the Company’s expected maturity for its non-derivative financial assets and liabilities. The tables below have been prepared based on the earliest dates for collections and disbursements of the Company’s assets and liabilities. Interest amounts to be collected and disbursed on the Company’s assets and liabilities have also been included in the table below:

#### 2013

<u>Contractual Maturities</u>	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial assets						
Banks	10.453	10.453	10.453	-	-	-
Factoring receivables	943.649	961.009	655.613	304.970	427	-
	<u>954.102</u>	<u>971.462</u>	<u>666.066</u>	<u>304.970</u>	<u>427</u>	<u>-</u>
Non-derivative financial liabilities						
Factoring payables	530	530	530	-	-	-
Funds borrowed	898.845	907.975	703.612	204.363	-	-
Other payables	388	388	388	-	-	-
	<u>899.763</u>	<u>908.893</u>	<u>704.530</u>	<u>204.363</u>	<u>-</u>	<u>-</u>

The Company makes payments based on contractual maturities.

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## 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (i) Liquidity risk management (Continued)

2012

<u>Contractual Maturities</u>	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial assets						
Banks	10.836	10.836	10.836	-	-	-
Factoring receivables	1.014.944	1.020.284	858.075	161.676	533	-
	<u>1.025.780</u>	<u>1.031.120</u>	<u>868.911</u>	<u>161.676</u>	<u>533</u>	<u>-</u>
Non-derivative financial liabilities						
Factoring payables	127	127	127	-	-	-
Funds borrowed	978.791	984.995	912.612	72.383	-	-
Other payables	339	339	339	-	-	-
	<u>979.257</u>	<u>985.461</u>	<u>913.078</u>	<u>72.383</u>	<u>-</u>	<u>-</u>

The Company makes payments based on contractual maturities.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2013 and 2012.

2013

<u>Contractual Maturities</u>	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

2012

<u>Contractual Maturities</u>	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	31	1.960	1.725	235	-	-
Derivative cash outflows	-	(1.929)	(1.694)	(235)	-	-

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### **32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)**

#### **(j) Fair value of financial instruments**

The Company management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange. The financial assets and liabilities, like Factoring Receivables, Cash at Banks and Short-term Bank Borrowings in TL which are recognized by discounted amount of estimated future cash flows, are considered to approximate their respective carrying values due to their short-term nature.

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## 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

### (j) Fair value of financial instruments (Continued)

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried in the financial statements.

31 December 2013	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortized cost
<u>Financial Assets</u>				
Banks	-	10.453	-	-
Financial assets at fair value through profit or loss				
- Financial assets held for trading	-	-	-	-
- Derivative financial assets held for trading	-	-	-	-
Factoring receivables and non-performing factoring receivables	-	-	943.649	-
<u>Financial liabilities</u>				
Derivative financial liabilities held for trading	-	-	-	-
Factoring payables	-	-	-	53
Other payables	-	-	-	38
Funds borrowed	-	-	-	898.84
	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortized cost
31 December 2012				
<u>Financial Assets</u>				
Banks	-	10.836	-	-
Financial assets at fair value through profit or loss				
- Financial assets held for trading	14	-	-	-
- Derivative financial assets held for trading	21	-	-	-
Factoring receivables and non	-	-	1.014.944	-
<u>Financial liabilities</u>				
Derivative financial liabilities held for trading	7	-	-	7
Factoring payables	-	-	-	127
Other payables	-	-	-	339
Funds borrowed	-	-	-	978.791

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### 32. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

#### (k) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>31 December 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated at fair value through profit or loss	-	-	-	-
Derivative financial assets held for trading	-	-	-	-
Available-for-sale financial assets (*)	11.202	-	-	11.202
<b>Total financial assets carried at fair value</b>	<b>11.202</b>	<b>-</b>	<b>-</b>	<b>11.202</b>
Derivative financial liabilities held for trading	-	-	-	-
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>31 December 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets designated at fair value through profit or loss	-	14	-	14
Derivative financial assets held for trading	-	21	-	21
Available-for-sale financial assets (*)	12.797	-	-	12.797
<b>Total financial assets carried at fair value</b>	<b>12.797</b>	<b>35</b>	<b>-</b>	<b>12.832</b>
Derivative financial liabilities held for trading	-	7	-	-
<b>Total financial liabilities carried at fair value</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>

(\*) As at 31 December 2013, securities that are not publicly traded amounting to TRY 1.340 (31 December 2012: TRY 815) have been measured at cost.